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MUNICIPALITIES OF METROPOLITAN TORONTO

Prices and Incomes Commission

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INTRODUCTION

In June, 1970, at a federal-provincial conference in Winnipeg, the Prices and Incomes Commission proposed a figure of six per cent as a reasonable upper limit for annual wage and salary increases under existing economic conditions. It was not intended that six per cent be an inflexible limit for it was recognized that higher increases could be justified in exceptional cases such as that of relatively low-paid workers and where severe labor shortages and extreme catch-up problems existed. In light of the guideline and the announced criteria for exceptions, the Commission reviewed a number of wage settlements reached through collective bargaining during the last half of 1970 and where it was considered useful, commented publicly on their implications.

At the end of the year, the Commission reviewed its price and wage restraint program and concluded that in 1971 it would not indicate whether price increases were justified on the basis of specific criteria and would no longer assess pay increases against a specific guideline. In announcing this decision, the Commission stated that it would maintain its surveillance of increases in prices, wages and salaries, professional fees and other forms of income, and would conduct investigations and issue reports in particular pay decisions in order to inform governments and the public of the relevant facts.

While its Wage and Salary Review Division has devoted much of its effort to examining increases resulting from collective bargaining, the Commission is very much aware that increases obtained by non-organized workers are also contributing to price inflation. For this reason, it proposes to examine pay decisions and processes in the unorganized, as well as the organized, sectors of the economy. The following review of the salaries paid senior administrators in the Metropolitan area of Toronto is the first examination conducted by the Commission covering non-organized employees.

COVERAGE OF THE STUDY

The present review has been limited to the two top salary levels in each department in the seven municipalities of Metropolitan Toronto: Municipality of Metropolitan Toronto, City of Toronto, and the Boroughs of North York, Scarborough, Etobicoke, York and East York. In most departments, the positions to which the two top salary levels apply are designated as Department Head and Deputy Head. However, in a few instances, no position is formally recognized as Deputy Head and in a number of other cases the second highest salary is not attached to the position so designated. It should be kept in mind that the tables and, unless it is indicated otherwise, the comments in this report relate only to positions in the two top salary levels in each department whatever their designation. There are, of course, many other positions in each municipality excluded from collective bargaining.

COLLECTION AND PRESENTATION OF THE INFORMATION

The figures presented in the tables in the study are based upon information obtained directly from the seven municipalities by correspondence and interview. The senior personnel officer of each municipality was interviewed to collect and verify salary data and to discuss details of the salary determination process for the non-organized employees. Where necessary, additional specific information was obtained from the municipal financial officer. Without exception, the Commission received full co-operation from all the municipal officials visited in the course of conducting the study.

The information presented in Table I gives an indication of the magnitude of the current activities of the seven municipal governments and of the responsibilities carried by their management personnel.

The size and nature of these activities and responsibilities have changed as the populations of the municipalities have grown, and as regional government has developed. Table 2 shows the substantial increases in the expenditures of Metropolitan Toronto over the last decade as a consequence of growth and transfer of such services as social welfare from the area municipalities. It also indicates that those programs and activities for which the area municipalities have continued to be responsible have required substantially larger expenditures and increased staff.

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Tables 3 to 5 present the level of salaries in absolute terms and the average rates of increase in percentage terms. Table 6 compares the percentage increases received over the period 1960 to 1970 by four particular classifications of municipal employees with the mean percentage increases received by the senior administrators over the same period.

TABLE I
THE MUNICIPALITIES

	Population 1970 1,000s	General (1) Purpose Expenditures 1970 \$ millions	Staff (2) Employed	Annual Payroll \$ millions
Metro Toronto.....	2,004	242.6	4,787	37.3
City of Toronto.....	689	94.4	5,750	43.5
Borough North York..	477	54.1	1,739	15.8
" Scarborough.	315	19.0	1,323	12.0
" Etobicoke...	277	28.3	1,376	11.5
" York.....	143	11.7	865	6.1
" East York...	102	7.2	470	3.5

(1) Expenditures on education excluded.

(2) Permanent and full-time probationary employees only.
Figure for Metro Toronto excludes police force.

TABLE 2
GROWTH TRENDS (1)

	% Increase in Population 1960-1970	% Increase in (2) Gen. Purpose Expenditure 1960-1970	% Increase in Staff (2) Employed 1960-1970
Metro Toronto.....	31.2	195.5	50.6
City of Toronto.....	6.8	84.5	17.7
Borough North York....	89.7	140.7	53.2
" Scarborough...	58.3	38.7	16.1

- (1) Growth trend percentages are not shown for the Boroughs of Etobicoke, York and East York. Because of amalgamations which have occurred over the period, the 1960 figures cannot be compared with those of 1970.
- (2) Except in the case of the Municipality of Metropolitan Toronto, the calculations of the percentage increases have been based on the expenditures and staff of those departments and programs for which the municipalities had responsibility in both 1960 and 1970. For example, social welfare expenditures are no longer the responsibility of the area municipalities and, therefore, these have been excluded from the 1960 totals and, of course, do not appear in those of 1970.

SALARY RANGES

In all the municipalities, salary ranges applicable to each position have been established and, as is common in public enterprise, incremental steps have been provided for each range. For example, the salary range for the highest grade in Metropolitan Toronto in 1970 was \$26,000, \$27,200, \$28,500, \$29,900, \$31,400 and \$33,000. The characteristics of the salary ranges, however, differ from municipality to municipality.

The first difference is in the number of steps in the ranges which vary between four and seven. The time required to proceed from the minimum to the maximum of a range, consequently, varies from between three and six years. A new employee may be appointed at the minimum or at a higher step, depending upon qualifications, and normally proceeds to the maximum by receiving annual increases to the next step in the range. In some of the municipalities, the regulations stipulate that the increases are not to be automatic and are provided only for improved performance or merit. In practice, it is most unusual for increments to be withheld from employees at the levels covered by the study.

In the majority of municipalities, the annual increment amounts to between four and five per cent of the minimum salary. In two municipalities, City of Toronto and North York, higher increments are provided on the premise that employees do not see small pay increases as being significant and, therefore, are not motivated to higher level performance.

The number of grades employed for the senior managers and the differentials between grades vary considerably also. The increases from the maximum of one grade to the maximum of the next higher grade generally amount to at least eight per cent and range up to 16 per cent. With the exception of one municipality, there is substantial overlap in the ranges in that the first three or four steps of one range are below the maximum salary of the next lower grade. In East York only four levels are used for department and deputy heads, and the differential between maxima amounts to 15 per cent. The few levels and size of the differential between levels produce ranges with an overlap of one step only, the maximum of one range and minimum of the next higher being the same.

1970 MAXIMUM SALARIES

Table 3 is illustrative of the 1970 maxima of the salary ranges of the positions in the seven jurisdictions. The duties and responsibilities of the officials with similar titles are seldom identical and direct salary comparisons, therefore, cannot be made. The Table includes only those positions common to most of the municipalities.

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TABLE 3

1970 MAXIMA OF THE SALARY RANGES

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Department Heads	\$	\$	\$	\$	\$	\$	\$
	Metro Toronto	City of Toronto	Borough of North York	Borough of Scarborough	Borough of Etobicoke	Borough of York	Borough of East York
LEGAL	33,000	32,000	28,015	25,450		23,795	22,444
PUBLIC WORKS	33,000	32,000	28,015	25,450	30,195	23,795	22,444
FINANCE	33,000	32,000	28,015	25,450	30,195	23,795	22,444
PLANNING	30,000	27,000	28,015	21,500	24,975	23,795	22,444
BUILDING		27,000	24,652	21,500	22,695	20,495	
PROPERTY	27,000	23,000		16,450			
CLERK	24,500	25,000	28,015	25,450	30,195	23,795	22,444
M. OF HEALTH		29,500	24,652	25,450	27,445	23,795	
PERSONNEL	27,000	27,000	21,694	18,000	20,635	17,195	
PARKS	24,500	25,000	21,694	18,000	22,695	20,495	22,444
FIRE CHIEF		23,000	19,091	16,450	22,695	17,195	16,973

TABLE 3 (Cont'd)

1970 MAXIMA OF THE SALARY RANGES

	Metro Toronto	City of Toronto	Borough of North York	Borough of Scarborough	Borough of Etobicoke	Borough of York	Borough of East York
Deputy Heads (1)	\$	\$	\$	\$	\$	\$	\$
PLANNING	24,500	21,200			18,760		14,759
TREASURER	24,500	25,000	19,091	18,000	22,695	17,195	14,759
WORKS	24,500	25,000		21,750	22,695	20,495	16,973
CLERK	20,000	19,600	19,091	18,000	22,695	17,195	14,795
PARKS & RECREATION	20,000	19,600	19,091	17,000	18,760	15,545	14,759
FIRE CHIEF		19,000	15,122		17,045	15,545	14,759
HEALTH		25,000	21,694	21,500	22,695		
LEGAL	27,000	25,000	21,694			17,195	

(1) Some positions at the second highest salary level are not designated as Deputy Head.

INCREASES IN RANGE MAXIMA

Table 4 shows the average changes in the range maxima in percentage terms. The percentages in the table were obtained by averaging the maxima of the salary ranges of the senior administrative positions in each municipality for 1969 and 1970, and where the ranges have been announced for 1971. The percentage year-over-year increases in the average of the maxima were then calculated for each municipality.

TABLE 4

	<u>1970 Maxima Relative to 1969</u>	<u>1971 Maxima Relative to 1970</u>
Metropolitan Toronto....	13.6%	8.4%
City of Toronto.....	13.8	8.6
Borough North York.....	19.3	(1)
" Scarborough.....	7.3	12.4
" Etobicoke.....	10.0	8.0
" York.....	10.0	8.2
" East York.....	10.0	8.0

(1) 1971 rates not announced as of March 1, 1971.

The high increases in the Municipality of Metropolitan Toronto and the Borough of North York result from the large number of reclassifications. In the former municipality, department heads and those officially designated as their deputies, with certain exceptions, were moved up one position class. In North York, the positions of 10 of the 16 employees in the group who had reached the maximum salaries of their ranges were reclassified to a higher level. Reclassifications combined with general increases may result in substantial annual salary increases for a period of several years for the administrators in the reclassified positions.

INCREASES IN SALARIES PAID

Table 5 indicates the percentage increases in salary received by the senior administrators in each municipality over the period Dec. 31, 1969, to Dec. 31, 1970. It reflects increases due to the over-all lifting of the salary ranges, progressions through the ranges and reclassifications.

The averages and percentage increases were calculated for all officials in the two highest salary levels of each department in each municipality and not only those listed in Table I. The salaries of officials on staff for only part of the year were not included in the calculations.

The table shows, for example, that at the end of 1970, these officials in the Borough of East York were receiving on average 15.2 per cent higher salaries than they had been receiving a year earlier. This very substantial increase in average reflects the fact that in this municipality none of the senior staff had reached the maximum of the salary range in 1969, and as a result, all received an incremental increase as well as the general increase.

TABLE 5

1970 SALARIES COMPARED WITH 1969

Average Percentage Increase

Metropolitan Toronto.....	12.7
City of Toronto.....	9.3
Borough North York.....	13.8
" Scarborough.....	12.1
" Etobicoke.....	10.0
" York.....	10.7
" East York.....	15.2

RELATIVE WAGES AND SALARIES

In Table 6 the mean percentage increases in the salaries paid to senior administrators over the period 1960-1970 are compared with the percentage increases in wages and salaries gained by municipal employees in four specific classifications.

Between 1960 and 1970, the senior administrators in the Municipality of Metropolitan Toronto have received somewhat larger increases in percentage terms than the outside workers have gained through collective bargaining. On the other hand, the percentage increase in their mean salaries is substantially less than the percentage increase in the rate paid to the First Class Constable. It is apparent from Table 2 that the senior administrators in Metropolitan Toronto are performing jobs with significantly greater responsibilities for expenditure of funds and direction of staff in 1970 than they were 10 years earlier. In light of the change in responsibilities, it might be expected that the relative increases would be significantly higher for management personnel than for outside workers but such is not the case.

In three of the municipalities the percentage increases granted to the senior administrators over the decade have been less, and in some cases considerably less than the percentage increases gained by outside workers and firemen through collective bargaining.

The senior administrators in the Boroughs of Scarborough, York and Etobicoke have received higher percentage increases than both their counterparts in other municipalities and their fellow workers in other classifications in their respective boroughs. Despite the larger percentage

increases, the 1970 maximum salaries in Scarborough and York are generally appreciably below those of the larger municipalities as might be expected and it appears a "catch-up" situation existed.

TABLE 6

PERCENTAGE INCREASES IN WEEKLY WAGES AND SALARIES (1)1970 relative to 1960

	Outside Laborer	Police 1st Class	Fire 1st	Clerk-Typist Entrance Class	Senior (2) Adminis- trators
Metro Toronto.....	80.9	104.3		72.1	83.5
City of Toronto.....	80.9		101.8	72.1	73.5
Borough North York...	89.1		99.3	78.4	78.6
" Scarborough..	80.1		100.5	62.2	102.5
" Etobicoke (3) .	83.9		94.8	79.4	99.7
" York (3)	81.9		100.7	74.0	103.7
" East York (3) .	78.9		99.9	79.8	77.4

- (1) Single wage rates are established for each classification of outside worker and for each job level in the police and fire departments. Salary ranges are applicable to clerical and administrative positions and the maxima of the ranges were used in calculating the percentage increases.
- (2) The figures for senior administrators are the percentage increases in the means of the maxima of the salary ranges applicable to the positions covered in the study.
- (3) The calculations of the percentage increases are based on the 1960 wages and salaries paid by the largest of the municipalities subsequently amalgamated into the existing boroughs.

INCREASES IN FRINGE BENEFITS

In addition to the increases in salaries, all municipalities have incurred increased annual costs to provide for improvements in fringe benefits. In general, the changes reflect the gains made by the employees covered by collective agreements. The improvements principally affect length of holidays and contributions for health, hospital, surgical and life insurance benefits.

The Commission has not made a detailed study of the cost of the improvements in fringe benefits in each municipality. However, the percentage increase in the total compensation package, that is salary and fringe benefits, is obviously slightly higher than the percentage shown in Tables 4 and 5.

GENERAL OBSERVATIONS

The average annual increase in base rates under major collective agreements in 1970 (excluding the construction industry) was 7.4 per cent. This figure reflects increases resulting from contracts signed in 1970 as well as those signed in previous years. The average annual increase for new settlements in 1970 alone was 8.8 per cent.

A separate figure is not available for the average annual increase in base rates for organized employees

in municipal governments. However, an examination of the increases provided in a limited sample of municipal collective agreements, including those covering employees in the seven municipalities in Metropolitan Toronto, indicates that organized municipal employees obtained significantly higher increases than workers in manufacturing industries achieved through collective bargaining.

The percentage increases granted to the senior administrators covered by this study are higher than those realized generally by organized employees in 1970, although probably quite comparable to those provided organized municipal employees.

SALARY DETERMINANTS FOR SENIOR ADMINISTRATORS

The main determinants of salary increases for the senior positions in the municipalities, in order of importance, appear to be:

- (i) Relativities with other municipalities in the Metropolitan area;
- (ii) Relativities with the pay of employees covered by collective agreements;
- (iii) Internal relativities;
- (iv) Relativities with salaries paid in other government jurisdictions and in the private sector.

Relativities with other municipalities appear to have the greatest influence in establishing salary levels. A review of salaries of officials in comparable positions indicates that the absolute levels and the rate of increase of salaries are higher in the Toronto Metropolitan area than in other parts of Canada. There is, therefore, a strong tendency to emphasize comparisons within the Toronto region.

The process is circular. The Municipality of Metropolitan Toronto, for reasons suggested by the figures in Tables 1 and 2, considers that its salaries should be higher than those paid to employees in comparable positions in smaller jurisdictions. Some of the other municipalities endeavor to keep their salaries as close as possible to those paid Metropolitan employees. These objectives have put pressure on all the salary structures, and have been a factor in producing the substantial increases that have occurred in the period under review.

Another interesting aspect of salary determination is that the salaries of the senior administrators in several municipalities are directly related to the rate of increase of wages achieved by the employees covered by collective agreements. In effect, the organized employees are not only bargaining for themselves but are also bargaining for the non-organized employees, including senior administrators in the municipality. The substantial percentage increases

obtained in bargaining in at least one municipality have been applied directly to the salaries of the excluded personnel.

Relativities with salaries paid in other government jurisdictions and in the private sector have had some influence on the levels established in the municipalities. This is particularly true of positions in professionally oriented departments. Along with this, there is a tendency for the positions in the non-professional areas to be pulled up on the basis of traditional internal relationships with the positions for which professional qualifications are required.

Wage and salary determination in municipal governments is carried on in a political context, and elected members of government are generally much more directly involved in the process than is the case at the provincial and federal levels. The salary schedules for employees excluded from collective bargaining are approved by the council of the municipality and the salaries for the senior groups are individually reported to and examined by it. However, in most cases the councils appear to have approved the recommendations of their personnel advisers, or outside consultants, without change. It is interesting to note that the influence exerted by those councils who did not completely accept the recommendations presented to them was

in an upward rather than downward direction. As far as the Commission could determine, no salary was established at a level lower than that which had been recommended.

POSSIBLE IMPROVEMENTS IN THE PROCESS

There are several changes in the salary determination process for senior administrators in the municipalities studied which, in the opinion of the Commission, warrant serious consideration.

Firstly, the possibility of determining the relative value of the senior administrative positions, perhaps even of all the positions excluded from collective bargaining, and of fitting them into a common integrated salary schedule should be examined. It is obvious from an examination of Tables 1, 2 and 3 that the general level of salaries in some municipalities relative to larger jurisdictions is higher than might be expected. Technically, it would not be difficult to establish a limited number of salary ranges into which all of the positions could be placed on the basis of their relative difficulty and responsibility. The Commission is very much aware, of course, that considerations of local autonomy might make it difficult to achieve integration, but the effort would be worth attempting for otherwise a "ratcheting" effect will continue to exert pressure on the salary structures.

Directly tying increases in salary and benefits of the executive group to those of the organized employees does not appear to be good practice. Obviously, there must be a relationship, and no doubt at the lower salary levels of the excluded group a direct relationship. However, if it became general practice for the senior executives to receive the same percentage increases in salaries and same improvements in fringe benefits as the organized employees, it might become difficult for those executives required to be members of the management team at the bargaining table to approach their task with the required objectivity. The Commission wishes to emphasize that its comment refers to the general principle and not to the relationships existing during the last round of bargaining, or to the results of those negotiations.

In most private enterprises, as well as in the federal government, it is not the practice to grant specific quasi-automatic annual increments to employees at the senior executive levels. Commonly there is a minimum and maximum range established for a limited number of levels and differential increases are granted within these ranges depending upon performance. The assessment of performance might prove to be a difficult task for some municipal councils, but the administration of salaries in this way permits recognition of outstanding performance without increasing total salary costs.

In some public jurisdictions in Canada, the total cost of wages, salaries and fringe benefits are being restricted by budgetary means. Total increases are limited to a fixed percentage of the existing cost and if the increase in the compensation package exceeds this percentage the overage must be compensated for by more efficient management of the work force, staff reductions and increases in productivity. Obviously this approach could not be applied in certain areas of municipal responsibility but in the Commission's view the possibility of applying budgetary restrictions to the total expenditures of many programs warrants examination by the municipalities.

CONCLUSION

The Commission's interest in wages and salaries in the municipal field has been stimulated by comments received from taxpayers and from employers and employees in the private sector. It is obvious that increases in this field are viewed as potential pattern setters. The agreements reached in the Toronto area are particularly important points of reference in negotiations conducted in other parts of Ontario, and indeed in all of Canada, not only in the public sector but in private industry as well.

It is obvious from this study and other available information that very substantial increases are being granted to highly-paid executives in both public and private employment. As pointed out in other studies, the recent wage, salary and fringe benefit increases resulting from collective bargaining will have to moderate substantially if renewed inflation is to be avoided. It is also apparent that much greater restraint will have to be exercised in areas where employers are making pay decisions unilaterally.

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